

# THE APPLICATION OF THE INTERNATIONAL CO-OPERATIVE PRINCIPLES BY THE THAI COOPERATIVE ENTERPRISES: THE EXPERIENCES AND THE FUTURE IMPROVEMENT

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## Abstract

The purpose of the study was to establish to what extent Thai co-operatives are conforming to the seven International Co-operative Principles. Information was collected through mixed method research, gathering both qualitative and quantitative data. Qualitative data were collected via interview from 30 knowledgeable experienced stakeholders of Thai co-operatives, with information recorded for later analysis. Quantitative data were collected via a survey involving 300 co-operative organisations from seven categories of enterprise, taking relevant samples, and was analysed together with the data from interviews with member stakeholders. Analysis also utilised descriptive statistics, namely: frequency, percentages, averages, and standard deviation.

Results revealed that Thai co-operatives were in compliance with all seven principles to a reasonably high standard in the following order of statistical significance: 2<sup>nd</sup> (highest), 7<sup>th</sup>, 1<sup>st</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> (lowest). From these findings, it is recommended that Thai co-operative leaders strive for continued improvements, developing higher standards and consistency among their members and staff to achieve greater parity with the International Principles and the worldwide co-operative business community. This can be facilitated through better education, extension of knowledge, personal development, and encouragement for staff and members. It is also suggested that the government provide additional support for co-operatives in working together to achieve a common goal.

**Keywords:** co-operative; international co-operative principles; Thai cooperative enterprises

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## **1. INTRODUCTION**

Many countries now acknowledge that co-operative enterprise is a very useful and beneficial business concept in a country's economic and social development. This has been proven by particular studies and research on co-operative enterprise throughout the world, considering the beneficial value of co-operatives by measuring the level of success of both the financial and non-financial aspects, to help members and their local communities understand and appreciate the benefits (Nembhard, 2014). However, aside from this, measuring the operation of co-operatives is also important especially as co-operatives demonstrate greater benefits and core principles compared with other corporate forms (Duguid & Fiona, 2017).

Nowadays, The International Co-operative Alliance (ICA) is considered a core international co-operative organization with the authority to determine, review, and update a set of globally shared co-operative principles, for co-operatives worldwide to use as guidelines. In some parts of the world, co-operatives do not always follow all of these principles, or they interpret them differently to suit their particular operations, perhaps arising from a lack of obligation, from a cultural perspective, or from the perspective of traditional business practices in the region. For example, Scandinavian co-operatives are less rigorous in

enforcing the 5<sup>th</sup> and 6<sup>th</sup> principles (Chloupkova, 2002). Developing countries often ignore the 1<sup>st</sup> and 4<sup>th</sup> principles (International Labor Organization, 2001), some countries may refer explicitly to the ICA norms within their national laws (Fici, 2012), while some define co-operative principles themselves.

In Thailand, the Co-operative League of Thailand (CLT), a national representative body of the Thai co-operative movement, joined ICA as a member in 1974. Since then, the government and the Thai co-operative movement have held-up the ICA's international principles for co-operatives in ways that promote and spread the principles to be used by co-operatives in Thailand. Some recent research work in Thailand has expressed the general importance of the established co-operative principles, for instance, Suttawet (2014), and Patrawat (2015). Nevertheless, there is not yet a study showing how the principles are applied by Thai co-operatives in reality; this is especially important as many Thai co-operatives are increasingly moving towards a profit-based objective similar to that of a conventional business.

Hence, the purpose of this study is to examine the Thai co-operative enterprises in their application of ICA's international co-operative principles as a means of determining a co-operative 'bottom line' and measuring the Thai co-operatives' levels of success against their performance.

## **2. LITERATURE REVIEW**

### **2.1 Concept of Co-operative Values and Principles**

In the long history of co-operatives, many co-operative leaders have partaken in forming a co-operative doctrine, especially those of the Rochdale Society of Equitable Pioneers founded in 1844, which is regarded as one of the first organisations for creating the co-operative principles of conduct that are becoming influential principles of conduct for co-operatives worldwide (Tchami, 2007). At the present time, the Rochdale principles have already gone through three updates in total. In the 1995 International Co-operative Alliance meeting, new approval for the international co-operative principles was adopted. This time, the ICA not only updated the principles but also the definition of the meaning of a co-operative and the co-operative values that underlie their principles. The 1995 announcement stated that co-operative values are based on self-help, self-responsibility, democracy, equality, equity and solidarity, honesty, openness, social responsibility, and caring for others. The first six of these values are concerned with the ethical value of co-operative operation, while the other five values uphold the traditional operation of the co-operative founders. These inherent

values of co-operatives will be the guidelines by which co-operatives apply their values in practice (International

Co-operative Alliance, 1996). For the co-operative principles of conduct in relation to the co-operative values, ICA has determined 7 principles for co-operatives to uphold including:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Co-operation among Co-operatives
7. Concern for the Community.

The first three principles are important internal principles within each particular co-operative while the other four principles relate to both the internal operations and the external relationships of co-operatives as a whole. These seven principles cannot be isolated from each other; each principle promotes, supports, and strengthens the other. When any one of the principles is neglected, another principle will also be affected negatively. It can be concluded that the relationship and consistency of co-operative values, principles, and co-operative practices that reflects the seven principles will be enhanced as illustrated below.

**Table 1** The relationship and consistency of values, principles, and practices of co-operatives

Type of Values	Co-operative Values	Co-operative Principle	Co-operative practices
Tradition of Founder/ Ethos Value	Equality and Openness	Voluntary and Open Membership	Member Recruitment Strategy
Tradition of Founder	Democracy	Democratic Member Control	Director Education and Training
Tradition of Founder	Equity	Member Economic Participation	Dividends Cards
Tradition of Founder	Self-responsibility	Autonomy and Independence	Internal Capital Raising
Tradition of Founder/ Ethos Value	Self-help and Honesty	Education Training and Information	Marketing the Co-operative Differences
Tradition of Founder	Solidarity	Co-operation among Co-operatives	Support for Federation and Service Co-operative
Ethos Value	Social responsibility and Caring for others	Concern for the Community	Community Dividend

Source: Christianson (2014)

## 2.2 The Difference between Co-operatives and Other Organizations

A co-operative is a type of economic and social organization that has different values and principles in its operation compared to other organizations. Even though other organizations like commercial businesses, labor unions, associations, foundations, clubs, and non-government organizations (NGOs) have the same format of management structure and some similar operating principles to co-operatives, these

organizations are not considered as co-operatives. This is because whenever one considers co-operative characteristics, one will find that many of the organizations mentioned earlier have a different purpose and objectives in their operation than co-operatives. These organizations are not economic organizations and have a purpose to help others or to wait for help from others, which is different from co-operatives as they are self-help organizations; the organization's activity is itself unimportant, but rather working together and being of mutual benefit are the core objectives

(Kornyeunyong, 2011). Though co-operatives have a very similar form to investor-owned businesses, they have many different principles of operation as described below.

**Table 2** The difference between co-operatives and other organizations

Characteristics	Co-operatives	Investor own business
Goal	Conducting business and services to help members in solving problems, and mainly provide services to the members.	Conducting business commercially with people outside the organizations to generate as much profit as possible.
Ownership	Owned by member, can be customers or employees.	Owned by ownership
Control	Use democratic method; one person, one vote, and the vote cannot be used by others.	A shareholder may obtain a proxy to vote for other shareholders.
Objective of accepting new members	Focus on people (members) rather than the need for funding	Greater focus on seeking funding for further investment (including research and development) by the business
Funding and reward function	The fund's sole function is to pay members interest as investors, but in a limited amount.	Individual share trading voting rights (usually only annually at AGM) that allows some power of control to the Shareholders"
Profits and dividing profits.	Profits are surplus that belongs to members, distributing according to the services used and shares held by the general members meeting.	The percentage of net profit available for dividend purposes is determined by the organization committee, with shareholders receiving payments according to the number of shares they hold
Stock value	Stable stock value, remain constant. The amount of stock sold is not limited to members only and not sold in the stock market in order to preserve the exclusivity and privileges of co-operative membership.	Unstable stock value, always changing with the business condition. The stock can be traded in stock exchange and limited to the number of registered assets.

Source: Kornyeunyong (2011)

From this table we can see that while there are similarities between co-operatives and businesses in general, the essential difference is that of membership being of greater value than objectives which focus on profit.

### **2.3 Determining Cooperativeness**

The seven co-operative principles and the underlying values of co-operatives demonstrate the main differences between these organizations and regular businesses. Although other business organizations have similar values, greater emphasis is placed on the co-operative principles, determining greater cooperativeness (Birchall, 2005). The 1<sup>st</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> principles, especially, are key characteristics compared with investor/shareholder-owned businesses, demonstrating how members can be 'owner', 'user' and 'controller' within a co-operative (Shaw, 2006; Zeuli & Cropp, 2004; Kunhu & Venugopalan, 2011). Although the three key principles determine the basic level of cooperativeness, Macpherson (1995) suggests that all seven principles should be followed. A true co-operative must adhere to both the letter of the principles and the spirit of the co-operative. The more co-operatives move away from the pure application of the principles the less of a co-operative they become. Therefore, only an organization that operates based on these criteria can be considered as a true co-operative enterprise.

### **3. METHODOLOGY**

This study followed a mixed-method research approach, using both qualitative and quantitative methods. Regarding the qualitative aspect, 30 key people whose work and experience related to co-operatives were interviewed. These were the divisional directors and officers in the central administration, the head of the provincial officers from CPD and CAD in the local areas, co-operative experts from universities, and the chairman of the committee of the board of directors from the co-operative federation for each of the 7 categories of co-operative at the national level, and additionally, a representative of the Co-operative League of Thailand. The quantitative research was collected via use of a survey. The sample consisted of representatives from the 7 categories of co-operative organizations, including 153 from the agricultural category, 3 fisheries, 3 from land settlement, 63 thrift and credit, 7 consumers, 47 services, and 24 credit unions, yielding a total of 300 co-operatives. The sample size was determined via calculation using a proportional allocation technique, divided by sub-sectors for each category and a systematic sampling technique to identify a name list of co-operatives from the 2016 directory of co-operatives. This database was still in the same structure and proportion as in 2019.

Three methods were included in the collection of data for the qualitative research, including

document review and interview. Data from the documents was analysed using content analysis, and by utilizing the documents, while evidence retrieved during the research was used to depict, analyze, and help to determine reliability and accuracy. Lastly, quantitative data, were analyzed using descriptive statistics such as frequency, percentage, average, and S.D. (standard deviation).

#### 4. RESULTS AND DISCUSSION

From studying the level of compliance of Thai co-operatives according to the seven co-operative principles, the number of co-operatives in Thailand that operate according to the seven universal principles is considered high, averaging 3.89. The highest level of compliance was found for the 2<sup>nd</sup> principle, followed by the 7<sup>th</sup> principle, and then the 1<sup>st</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> respectively. The principle of operation least

followed was the 6<sup>th</sup> principle, as shown in table 3 below.

A discussion of how the Thai co-operatives compared with the seven principles, is given in the next section.

##### 4.1 The 2nd Principle: Democratic Member Control

It was found that Thai co-operatives applied the 2<sup>nd</sup> principle the most, with the highest average level of compliance ( $\bar{x}$ =4.21). Using sub-categories to consider in which aspects the Thai cooperatives are achieving this principle, the highest levels of implementation were found for: the co-operative displays its financial status, annual report, and annual performance to its members at an annual general meeting ( $\bar{x}$ =4.67), it is where all the members have equal rights in applying as a candidate of the committee ( $\bar{x}$ = 4.65), and any decisions related to business operations that affect the co-operative members

**Table 3** Thai co-operatives application of the 7 co-operative principles

Co-operative principles of operation	( $\bar{x}$ )	S.D	Level	Rank
1st: Voluntary and open membership	3.96	.81	High	3
2nd: Democratic member control	4.21	.72	Highest	1
3rd: Member economic participation	3.93	.90	High	4
4th: Autonomy and freedom	3.84	.83	High	5
5th: Education, training and information	3.71	.90	High	6
6th: Co-operation among co-operatives	3.45	.90	Moderate	7
7th: Concern for community	4.17	.87	High	2
<b>Average</b>	<b>3.89</b>	<b>.84</b>	<b>High</b>	



shall be approved by every member through a general meeting ( $\bar{x}$  = 4.57).

However, although Thai co-operatives were found to be successful in complying with this principle at the highest level, the information gathered during interviews indicated that the ability to apply standards according to the principle doesn't always mean that the organization will be successful or able to operate efficiently, as the democratic process in itself, doesn't ensure that the elected representatives will have sufficient expertise to exercise effective governance of the co-operative, as stated in the interview below:

*"The democratic process, by itself, doesn't guarantee that the boards of co-operatives will be competent and have the range of skills and expertise needed to exercise effective governance of the co-operative. Moreover, operating using democracy in a country where the people still don't truly understand their rights and responsibilities could lead to an election that allows people with bad intentions to seek unfair advantage within the co-operative..."*

(A government official, personal interview, September 30, 2017)

This is in line with a study from Pudsayanun (2005) which said that the "one man, one vote" election rule can be used as an influential tool, perhaps buying votes or favoring friends and relatives in the co-operative committee election process. Hence, a representative elected in this way may not be a person who has

expertise or sufficient business skill. It may also encourage malpractice which can lead to problems such as the lack of inspection and balance resulting in possible dysfunction within the co-operative. In this sense, it can be concluded that the co-operative's ability to conduct its business according to the 2<sup>nd</sup> principle doesn't always mean efficient operation, especially when Thai co-operative operation is not firstly about the seven principals and regulations, but taking due account within its own framework regarding its members' responsibilities and duties.

## **4.2 The 7th Principle: Concern for Community**

Evaluation of the operations of co-operatives indicated that the 7th principle had the second highest average in terms of being followed ( $\bar{x}$  = 4.17). The most prominent sub-categories being implemented included: co-operatives reserve some of their net profits as a fund for community service activities ( $\bar{x}$  = 4.36); the co-operative's operations do not cause any conflict within the community ( $\bar{x}$  = 4.35); the co-operative regularly donates to or undertakes useful activities with the local community ( $\bar{x}$  = 3.99); and the co-operative sends their employees to attend public activities in the community or with other organizations ( $\bar{x}$  = 3.89). The reason that Thai co-operatives can follow this principle at a high level is partly because the law specifies that co-operatives must allocate some of their



profits for public activities. Thai co-operatives also see the importance of social responsibility in supporting the activities of the community, as those that benefit most from the co-operative's activities are the members who live where the co-operative is located.

Hence, social responsibility and caring for others creates a pleasant social environment and improved community spirit. Moreover, allocating funds to supporting activities and participating within the community of the co-operative is also a way to publicize the benefits of establishing a co-operative, not as a profit-seeking organization or member-exploiting organization, but as an organization that helps and gives back to the communities where it operates, as well as to its members. Co-operatives, therefore, can be a vehicle helping to promote and encourage better equality for the people, and community cohesion.

#### **4.3 The 1st Principle: Voluntary and Open Membership**

Evaluation of the operation of co-operatives determined that this principle was the third most followed, with average implementation of 3.96. Regarding the individual sub-categories, those practiced at the highest levels were: Thai co-operatives are inclusive and open when it comes to recruiting members, with no observed discrimination against gender, social orientation, nationality, political point of view, class, or religion ( $\bar{x}$  = 4.55); co-

operatives allow members to be recruited and leave voluntarily ( $\bar{x}$  = 4.43); co-operatives conduct an education and training program on matters of value, ideology, and core principles of the co-operative before accepting new members ( $\bar{x}$  = 3.66); and members acknowledge their rights and duties within the co-operative well ( $\bar{x}$  = 3.61).

Though the study found that most co-operatives follow this principle well, there are still some conflicting points in their operations. For example, a statement saying "*Open to all able to use their services.*" according to an explanation by the International Co-operative Alliance (2015), means not limiting members; co-operatives shouldn't limit members, unless a specific co-operative has a specific reason for doing so. At present, Thai co-operatives have a law limiting membership based on age, whereby anyone applying for co-operative membership must reach the legal age of 20 or over.

However, some co-operatives such as thrift and credit co-operatives, consumer co-operatives and service co-operatives can admit youth as associate members. Until they become full members, they will have no voting rights in the quorum at any general meeting in any matter nor can they be elected as a member of The Board of Directors. However, to encourage juveniles to be associate members is still not favored in Thai co-operatives as stated in the interview excerpt below.

*"At present, it is legally allowed*

*for some co-operatives to admit young people as associate members but limited only to a child of an existing member. If they want to be a member they need to wait until they attain legal age...”*

(The board of directors, The Federation of Thrift and Credit Cooperative of Thailand Limited, personal interview. December 19, 2017)

This might not be sufficient to encourage young people to be interested or involved with co-operative enterprise; this is in contrast to the principles of co-operatives which are pre-disposed towards young people, as the next and upcoming generation.

Regarding gender, social status, nationality, political point of view, and religious discrimination in accepting members, Thai co-operatives don't apply any barriers for anyone in applying for co-operative membership or receiving services from the co-operative. For example, this can be seen in the male-female ratio in Thai co-operatives. From data collected by the Co-operative Promotion Department from 2016 - 2019, the average numbers of male and female were quite close, with 55.58 % of members, committee members, managers, and staff being male, and 43.82 % being female. This shows that co-operatives are operating according to the principle of gender equality, while co-operatives are considered to be doing great in

providing education, training, and basic knowledge, about the ideology and principles of the co-operative to new members before recruiting them. However, this might not be enough. An observation from a study by Chancheongpanich (2015), indicated that most Thai co-operative members still lack knowledge and understanding of co-operatives as well as their rights and responsibilities in the co-operative. It can be concluded that providing education, training, and basic knowledge, about the ideology and principles of the co-operative might not be sufficient at the present time. Members should be properly prepared to perform their duties as an owner and willing to accept the responsibilities of their membership as well.

Moreover, the 1st principle of conduct shouldn't be carried out only by members in the primary co-operative level, but also as voluntary members, accepting the responsibilities of membership in the secondary and tertiary levels as well. At present, membership of the national apex organization is not voluntary, but rather occurs by legal edict. Subscription to the CLT is also regulated by cooperative law. Therefore, awareness in ownership and membership regarding the national apex organization is less realized, hence Thai co-operatives lack full co-operation and strength in supporting the CLT as the national representative of the Thai co-operative movement.

#### **4.4 The 3rd Principle: Member Economic Participation**

Evaluation of the operation of co-operatives found that this principle was the fourth most followed, with an average implementation of 3.96. Regarding the sub-categories within the 3<sup>rd</sup> principle, those most complied with were: a law requires that payments of dividends to members be according to the number of shares held ( $\bar{x}$ = 4.42); there is a reserve fund allocated for business expansion and co-operative development of no less than 10% of net profits ( $\bar{x}$ = 4.41); and welfare and assistance are provided for members and their families ( $\bar{x}$ = 4.16). The least followed sub-category was: members do business with the co-operative amounting to no less than 60% for each type of business ( $\bar{x}$ = 3.17). When we consider the details of the allocation of profits for Thai co-operatives from the 2017 statistics provided by the Co-operative Auditing Department (2017), it is found that Thai co-operatives manage their profits as shown in Table 4.

Collectively, all 7 Thai co-operative categories complied with the co-operative principles and Thai law requirement of putting aside the reserve fund as a first priority, and at a rate greater than 10%. The agricultural co-operative sector, including land settlement and fisheries, has the highest allocation of reserve funds at almost 20%. Regarding the putting aside of profits to be invested in human resource development and developing new co-operative business activities, Thai co-operatives

allocated only small percentages. Only 3% was put aside for education and training, and 1-2% for developing new co-operative business activities. However, according to the co-operative principles, the human resource development fund should have second priority and the development of new co-operative activities third priority. However, Thai co-operatives are not giving these funds much attention at all, giving higher priority to putting profits aside to be distributed to members, which according to the principles, should be done after co-operative and staff development, with the remaining amount distributed to members and other activities. Most co-operatives put aside up to 50% or their profits to pay returns to members, with thrift and credit co-operatives reserving as much as 80% such that these kinds of co-operatives have a greater tendency to do business for the sake of profits to be shared, more similar to traditional businesses, as can be seen from the interview excerpt below.

*“Thai co-operatives tend to focus more on paying higher returns to members with share capital, which may greatly satisfy them. But this focus is at the expense of Member's patronage dividends who have much investment of money and time in a co-operative, but have a smaller share of the profits in spite of them doing more business within the co-operative. Co-operatives should focus more on share of profit in proportion to how much members use the service ...”*

(Suwit Piapong, personal interview, January 22, 2018)

**Table 4** Allocation of funds from the net profits of Thai co-operatives in each type

Allocation of funds	Net profits allocation percentage (%)							
	Agriculture	Fishery	Land Settlement	Consumer	Services	Savings	Credit Unions	%
Reserve	19.36	19.45	20.38	12.54	16.87	11.21	14.54	11.63
Community benefit	1.60	1.16	2.69	4.68	4.13	1.35	1.50	1.39
Education and training	3.91	2.18	3.47	3.46	1.32	0.21	3.45	0.42
Share transfer	1.06	8.32	2.04	0.33	0.88	0.27	1.12	0.32
Office infrastructure fund	0.74	0.19	0.04	0.03	0.72	0.02	0.09	0.06
Member welfare and society assistance	1.14	0.59	1.19	1.90	2.26	0.24	1.48	0.31
Business improvement	1.12	-	1.25	1.16	7.62	0.08	1.34	0.19
Expanding business activities	0.01	-	0.01	0.01	1.36	-	-	0.01
Fluctuating dividend rate maintenance fund	1.00	0.15	0.22	3.75	0.09	0.02	0.14	0.07
Staff aid fund	2.11	0.57	1.57	4.05	1.37	1.16	3.28	1.24
Other funds	4.50	7.79	10.17	7.59	7.14	1.16	3.52	1.39
Sub-Total	36.55	40.40	43.03	39.53	43.76	15.72	31.46	17.03
Member share capital	37.39	47.93	26.61	8.89	35.15	67.55	54.71	65.77
Patronage refund	18.80	6.75	22.40	41.46	13.74	14.54	11.86	14.75
sub -total	56.19	54.68	49.01	50.35	48.89	82.09	66.57	80.52
Committee and staff bonus	7.02	4.52	7.82	9.80	6.98	2.17	2.74	2.42
Subscription to the CLT	0.24	0.40	0.14	0.32	0.37	0.02	0.23	0.03
Total	100	100	100	100	100	100	100	100

Source: Co-operative Auditing Department (2017)

The 3rd principle was the fourth most followed by Thai co-operatives. Business between members averaged about 60% in 2016-2019 according to data from the Co-operative Promotion Department (2019). An average of

64.91% of members do business with the co-operative, with the highest values found for thrift and credit (87.26 %), credit unions (80.43 %) and land settlement (76.03%). For agricultural co-operatives, fisheries,

and consumer business this value only reaches 50%. The number of members that participate in business with each other in the co-operative reflects the fact that members don't fully appreciate their roles and duties as a co-operative member in accordance with the 1st principle, in which it is also stated that aside from being a member, the member must be ready and willing to participate, be responsible, use, and support the co-operative's services. In this case, one part of the problem is the way in which many Thai co-operatives recruit new members, inviting people to become a member if they meet all of the co-operative's qualifications, without considering their belief and confidence in the co-operative system and its code of practice. Their mindset is less inclined towards helping and supporting each other but by using the business ethos of the co-operative for self-interests.

#### **4.5 The 4<sup>th</sup> Principle: Autonomy and Independence**

The 4<sup>th</sup> principle was found to be the fifth most followed, with a high average implementation of ( $\bar{x}$  = 3.84). When considering which aspects of this category were most adhered to, the sub-categories with the highest means were: it can be seen that the co-operative can administrate and make decisions from its general meeting without external guidance ( $\bar{x}$  = 4.39); co-operatives have freedom in processing any contract including negotiation with the government and other organizations without being

forced to decide ( $\bar{x}$  = 4.35); and co-operatives are able to regulate their own rules, orders, and by-laws ( $\bar{x}$  = 3.81). Conversely, the least followed sub-category was: the co-operative can provide assistance among the co-operative without outside dependency ( $\bar{x}$  = 3.40). From the study it can be seen that Thai co-operatives have high autonomy. However, the understanding of autonomy according to 'Thai co-operatives' is freedom to do anything that isn't against the law, while "*Co-operatives are autonomous*" means that co-operatives have freedom to act independently in governing themselves, controlling their own affairs, and setting their own rules of operation, in line with the 2nd principle of democratic member control. When compared to the co-operative principle it can be seen that the operation of Thai co-operative's does not follow the principle due to many legal restrictions. This can be seen in the 1999 Co-operative Act (amendment 2019) which granted a registrar authority to intervene in many internal operations of co-operatives, contravening the co-operative principle of autonomy.

For example, the registrar may order a committee selected by the members through a democratic process to stop any action, resign, suspend, restrain, or withdraw any resolution reached in a co-operative members' general meeting; if members reach a consensus to modify the co-operative by-law, this decision must involve the co-operative registrar as well. This practice is not only

out of line with the independence and autonomy of the 4th principle but also damages the trust in the democratic member control of the 2nd principle.

#### **4.6 The 5<sup>th</sup> Principle: Education, Training, and Information**

Evaluation of the operation of co-operatives indicated that this principle of conduct was the sixth most followed, with a high average implementation of ( $\bar{x}$ =3.71). When considering in which aspects of this principle were most followed, the sub-categories found to be most prevalent were: the co-operative allocates a part of total profits to its members education fund each year ( $\bar{x}$  =3.89); co-operatives provide education and training of skills to co-operative officers and members continuously in every area ( $\bar{x}$ = 3.76); and the co-operative provides education and training to its members as well as creating the realization of their ownership, rights, and duties, regularly ( $\bar{x}$ = 3.66). The least followed sub-category was: the co-operative engages public relations with the media to create good understanding and attitude towards the co-operative, its members, young people, and the public ( $\bar{x}$  = 3.55). This shows that Thai co-operatives somewhat see human capital development as important. The supplied budget of only 2-3% of net profits is however not enough to cover the educational and training needs of members, especially those in the agriculture sector, where 80% of these are committee members. Though

these members have reached high school and vocational level education, they may have very little knowledge or experience of business management (Co-operative Promotion Department, 2019), making recruitment for qualified candidates difficult.

However, this problem can be solved by investing in education and staff development to prepare every member to become qualified to run a co-operative. Therefore, a member having insufficient knowledge is not an obstacle, nor does it undermine the democratic process of recruiting and control, as described in the 2<sup>nd</sup> principle. On the contrary, giving members the appropriate education and training should provide a solid foundation to further promote the co-operative and contribute to better understanding of their rights and duties according to the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 6<sup>th</sup> principles.

#### **4.7 The 6<sup>th</sup> Principle: Co-operation among Co-operatives**

The study of co-operative operations indicated that the 6<sup>th</sup> principle of the code of conduct was the least followed with a moderate average implementation of ( $\bar{x}$ = 3.45). In terms of sub-categories those most followed included: the co-operative has run business activities with other co-operatives, used their services, or is willing to offer assistance to other co-operatives ( $\bar{x}$ = 3.78); co-operatives arrange meetings where they exchange academic knowledge,



or carry out observational study of other co-operatives and organizations ( $\bar{x}$ = 3.45); and the co-operative has used the services of, or received help from the apex co-operative organization ( $\bar{x}$ = 3.37). The least followed sub-category was: the co-operative has sent representatives to attend the annual general meeting with CLT ( $\bar{x}$ = 3.31). This indicates that integration and co-operation between Thai co-operatives is not widespread. Additionally, the number of members of a co-operative federation at provincial, regional, and national levels, has reduced from 155 in 2016 to 122 in 2019 (Co-operative Promotion Department, 2019). This is because members do not understand or see the benefits of establishing a co-operative federation. Hence, the principle of a co-operative's co-operation strength through building a business together, establishing bargaining power, using and sharing resources, skills, and knowledge is still rarely happening. Moreover, some co-operatives that are members of the co-operative federation don't support or use its services but do business in competition with the organization's members, as demonstrated in the following interview excerpt:

*"Some co-operatives were members of co-operative federations but did not support their own co-operative organization members. Also, some co-operatives do business that competes with the co-operative federations solely because of the*

*greater benefits they perceived, resulting in many co-operative federations closing down since no member used the services..."*

(The Deputy Directors of Co-operative League of Thailand, personal interview, December 19, 2018)

## **CONCLUSION AND RECOMMENDATIONS**

From the evaluation of the application of the ICA's seven international co-operative principles among Thai co-operative enterprises, Thai co-operatives were found to follow the 2nd principle (democratic member control) the most. This was followed by the 7th principle (concern for the community), 1st principle (open and voluntary membership), 3<sup>rd</sup> principle, 4<sup>th</sup> principle, 5<sup>th</sup> principle, and finally the 6<sup>th</sup> principle (co-operation among co-operatives). One principle that Thai co-operatives follow, but not properly, is the 1st principle regarding limitations of the age of members. Another, is the obligation that the co-operative must be a member of the co-operative governing body (CLT), resulting in less enthusiasm and motivation towards responsibilities, co-operative harmony, and other elements contained in the 6th principle. Another conflict lies within the 4<sup>th</sup> principle, regarding autonomy and independence; although Thai co-operatives are independent under the law, in practice, they are not truly independent due to the regulatory



control of the government and potential government intervention which has the effect of compromising the 2<sup>nd</sup> principle, that of true democratic member control.

Although the overall picture of this study shows that most Thai co-operatives are operating with consistency within the universal principles of the code of practice in many ways, those activities are carried out in adherence to laws, rather than through a willingness according to the spirit, and ethos of co-operatives, losing sight of the general core purposes of the co-operative concept. The result is that the operation of Thai co-operatives' is still faced with many problems, whether they be a lack of support and participation from members or a lack of co-operation between them.

Following this research some suggestions can be made regarding how Thai co-operatives can truly follow the international co-operative principles. for the government and co-operatives. Firstly, the seven basic principles for application in co-operatives should be regularly examined in the co-operative rules and regulations, so that the government, when amending a co-operative law, will be in line with the international co-operative principles and they may also be applied as operational guidelines for the co-operatives. Secondly, when the government evaluates the success of a co-operative, they should take account of cooperativeness along with all seven cooperative principles as a

mutual standard so that it can be seen if the co-operative is following the principles substantially or not. This will encourage co-operatives to correctly and sustainably apply these worthwhile principles. Finally, the government and co-operative enterprises should promote and encourage a continuous programme of education and extension of knowledge regarding the co-operative ideology and principles in different and innovative ways, so that co-operative members and staff can be aware of, understand, and put the co-operative principles into practice correctly.

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